



**Overview of the Solicitation for Federal Loan  
Guarantee Applications for Commercial Technology  
Renewable Energy Generation Projects under the  
Financial Institution Partnership Program (FIPP)**

**October 22, 2009**



# Title XVII Loan Guarantee Program Overview

	<b>POTENTIALLY QUALIFY FOR 1705 SUBSIDY</b>				
	<b>Renewable Generation &amp; Manufacturing</b>	<b>Advanced Biofuels</b>	<b>Transmission &amp; Distribution</b>	<b>Other Renewables &amp; Energy Efficiency</b>	<b>Nuclear &amp; Fossil</b>
Innovative	Energy Efficiency, Renewables & Advanced Transmission Solicitation (OPEN)				Solicitations (CLOSED)
Conventional	FIPP (OPEN)		Transmission Solicitation (Part I CLOSED)		



## Financial Institution Partnership Program (FIPP)

- The Loan Guarantee Program (LGP) is currently implementing FIPP under the new 1705 Program authority provided under the Recovery Act earlier this year. In furtherance of the Recovery Act's objectives, FIPP consists of a streamlined set of standards designed to expedite DOE's loan guarantee underwriting process "as quickly as possible consistent with prudent management."
- The general purpose of FIPP is to leverage the human and financial capital of private sector financial institutions and to expand their ability to support the financing of construction of conventional renewable generation and manufacturing projects in the United States that starts no later than September 30, 2011. Therefore, the challenge is achieving speed and volume in a fiscally responsible manner.
- It does so by expanding the senior credit capacity of private sector financial institutions to support the efficient and prudent financing of the types of conventional projects that they financed before the credit crisis while also assuring a proper alignment of risks between DOE and the private sector financial institutions.



## FIPP – Syndicated Lending Structure

- The syndicated lending structure in FIPP forms the basis of the conventional renewable generation solicitation issued October 7<sup>th</sup> and is similarly expected to serve as the model for a future, conventional renewable manufacturing solicitation.
- Structure focuses on working with lender-applicants that qualify under the Solicitation by providing partial guarantees to them to support traditional finance lending activities
- Proposed borrowers and project sponsors do not apply directly to DOE but instead must work with financial institutions satisfying the qualifications of a lead lender under the Solicitation which may apply directly to DOE to access a loan guarantee.



## FIPP – Syndicated Lending Structure (Continued)

- Consistent with general FIPP objectives, the intent of the project approach is not to induce private sector financial institutions to undertake riskier projects but rather to provide them with funding and operational efficiencies to enable them to finance more of the same types of transactions they were accustomed to financing before the credit crisis.
- Clear underwriting standards and a syndicated lending structure provide a risk allocation and holding requirement structure that private sector financial institutions already understand, enabling an increase in the pace and scale of adoption while assuring DOE with the proper alignment of risks.



## FIPP – Syndicated Lending Structure (Continued)

- DOE has approval rights over the transaction and will be reviewing it after the qualified lenders have already received approval in accordance with their standard internal credit policies and procedures for comparable senior debt transactions and prepared summary documents for DOE review. This process is similar to the way a loan syndication works.
- If approved and funded, the lead lender is required to fund a significant portion of the loan, lenders in the syndicate must hold the guaranteed loan for a minimum of the period of construction plus two years and thereafter will be able to transfer their direct interests to another qualified lender with LGP's reasonable consent. Indirect interests in the guaranteed loan as a single, non-divisible debt instrument may, however, be synthetically stripped in the secondary market.



## FIPP – Syndicated Lending Structure (Continued)

- After closing, the lead lender will also act as the administrative agent and be required to service the loan and will have reporting requirements similar to those in a syndicated loan.
- DOE shall have the exclusive right to exercise all voting and control rights usually and customarily provided to lenders in similar project finance transactions (e.g., right to grant amendments and waivers, and in the event of default, the right to exercise remedies).



## Solicitation for Federal Loan Guarantee Applications for Commercial Technology Renewable Energy Generation Projects under FIPP

The first solicitation under the FIPP:

- Based on a syndicated lending model, proposed borrowers and project sponsors do not apply directly to DOE but instead work with financial institutions satisfying the qualifications in the solicitation of a lead lender which applies directly to DOE for a loan guarantee.
- The focus is on conventional renewable energy generation projects, such as wind, solar, biomass, geothermal and hydropower, which are financed by eligible private financial institutions primarily on a project finance basis.
- The guarantee percentage will be no more than 80% of the maximum aggregate principal and interest during a loan term, and the project debt must obtain a credit rating of at least 'BB' or an equivalent from a nationally recognized credit rating agency.



## Solicitation for Federal Loan Guarantee Applications for Commercial Technology Renewable Energy Generation Projects under FIPP

- Consistent with the Recovery Act, all projects must start construction before September 30, 2011.
- Seeking transactions whose structure and funding are transparent, simple and have a high degree of certainty of execution. DOE will not issue loan guarantees to support or refinance projects that have already been fully financed. Expect primarily to support traditional project finance lending activities.



# Two Step Process - Part I

- Part I may be submitted any time prior to a Part II submission and will be reviewed by DOE on a continuous basis.
- Submitted to DOE early in private lender's due diligence process.
- DOE determines lender and project eligibility.
- DOE determines project's readiness to proceed, including level of NEPA review so process can start



# Two Step Process - Part I

- DOE preliminarily determines whether project is expected to meet FIPP parameters, including minimum credit rating of 'BB' or equivalent from a nationally recognized rating agency.
- DOE assessments of Part I's provide info to lender-applicants to make self-selecting decision as to whether to proceed with cost and effort of completing Part II.
- Obtain contact info for the private lender and the proposed project.



## Two Step Process - Part II

- Part II may be submitted on defined due dates (the first of which is November 23rd) after DOE notification to lender-applicant but no later than January 6, 2011.
- Submitted after lender group finishes due diligence and gets approval for the transaction in accordance with standard internal credit policies and procedures for comparable senior debt transactions
- Application includes submittal of information memorandum for the project typical in a loan syndication and all materials that LGPO would typically require and review as part of its underwriting of an innovative project. DOE's financial review will primarily examine and confirm the credit analysis included in the application. DOE may perform any analyses it deems necessary and appropriate.
- Projects in a given round are competitively evaluated with each other and selected for the issuance of a term sheet



# Future Webinars and Communications

## Communications:

- Regular or express mail, including private carriers at:  
U.S. Department of Energy Loan Guarantee Program  
c/o USA Energy Advisors  
Attn: DOE Commercial Renewable Energy Generation Solicitation  
919 Old Henderson Road  
Columbus, OH 43220-3722
- E-mail questions to [DOEloanquestions@USAEA-Connect.com](mailto:DOEloanquestions@USAEA-Connect.com), or alternatively at [DOEHelpDesk@USAEA-Connect.com](mailto:DOEHelpDesk@USAEA-Connect.com)
  - Subject line must include “RE CMCL TECH RENEW Solicitation Question” and a few words identifying the topic of the question
- Telephone at: (614) 324-5940
- Copies of the Solicitation and form loan guarantee agreements may be found at <http://www.lgprogram.energy.gov/keydocs.html>
- [www.fedconnect.net](http://www.fedconnect.net) search for Solicitation Number: DE-FOA-0000166